

2020 Health Insurance Premium Rate Review Process Small Employer Group Summary for Rates Effective in 2021

Updated July 30, 2020

The following table depicts the proposed overall weighted average premium increase, the Essential Health Benefits (EHB) base rate, and the key assumptions behind premium development for the small employer group (SG) market filed by Blue Cross Blue Shield of Rhode Island (BCBSRI), Neighborhood Health Plan of Rhode Island (NHPRI), Tufts Health Plan (Tufts), and UnitedHealthcare (United) as part of the State of Rhode Island Office of the Health Insurance Commissioner's (OHIC) 2020 rate review process (for rates effective in 2021). This information is subject to change as the rate review process continues. Please see our 2020 Rate Review Process Public Comment Solicitation for more information about the rates and this process.

OHIC is currently reviewing these assumptions. This review process will culminate in a final decision by the Health Insurance Commissioner approving, modifying, or rejecting the requested rates. For more information on the rate review process or information about rates filed in the individual or large group markets, please visit <http://www.ohic.ri.gov/ohic-formandraterreview.php>.

There are 50,380 consumers enrolled in small group market plans (data as of March 2020). This represents 26.1% of the fully-insured market (individual, small group, and large group markets).

- The **Overall Weighted Average Rate Increase** represents adjustments to reflect benefit changes in plans.¹ This weighted average rate increase represents the average rate that consumers will experience before changes due to age. The **range of rate changes** represents variation by plan benefits. It does not include the effect of changes in age.
- The **EHB base rate** is used by OHIC to compare premiums across insurers and years and represents the monthly average rate for a hypothetical plan with no cost-sharing for a 21-year old for a given insurer in a given market excluding the cost of pediatric dental. Essential Health Benefits are a set of benefits that must be covered by plans, as called for in the Affordable Care Act.
- The **Medical Expense Trend Assumption** is the annualized rate of increase due to increases in the unit cost of services and in the utilization of services. This includes both medical and pharmacy services. Because rates are generally based on the calendar year 2019 experience adjusted for trend, the expected experience underlying the 2021 rates is projected using two years of medical expense trend.
- The **Non-Medical Portion of Premium** represents the percent of overall premium that is required to cover administrative expense, contribution to reserves and required taxes and fees, including premium tax, ACA fees (note, the health insurance tax has been suspended for 2021 and beyond) and HealthSource RI Exchange Fees.
- The **Quarterly Effective Date Projection Factor** represents the expected annualized inflation rate for rates charged to small employers renewing at different points during a year. For example, a small employer renewing in January will pay a lower rate than a small employer renewing in

December for the same plan because there are fewer months over which they will experience inflation, assuming that the two small employers have a workforce of the same age.

Small Group Market Rate Request Summary – Requested Amounts¹ (Data as of July 30, 2020)

	BCBSRI	NHPRI	Tufts HMO	Tufts PPO	United HMO	United PPO
Overall Average Weighted Rate Change for the full year	3.6%	1.8%	3.9%	3.0%	4.3%	1.5%

Small Group Market Rate Request Summary – EHB Requested Amounts

	BCBSRI	NHPRI	Tufts HMO	Tufts PPO	United HMO	United PPO
EHB Base Rate for 1Q renewals	\$405.15	\$325.40	\$529.87	\$529.92	\$504.66	\$510.11
EHB Base Rate Change from 2020	-6.4%	0.4%	6.7%	5.2%	9.0%	8.9%

Small Group Market Rate Request Summary – Medical Trend Assumptions²

	BCBSRI	NHPRI	Tufts HMO	Tufts PPO	United HMO	United PPO
Hospital Inpatient	3.2%	5.0%	4.0%	4.0%	4.4%	4.4%
Hospital Outpatient	6.5%	7.1%	8.7%	8.7%	8.4%	8.4%
Professional	6.4%	9.2%	8.5%	8.5%	5.5%	5.5%
Other Medical	6.4%	6.6%	7.1%	7.1%	2.8%	2.8%
Capitation	0%	0.0%	0.6%	0.6%	5.6%	5.6%
Prescription Drug	6.7%	11.1%	11.0%	11.0%	10.5%	10.5%
Total Weighted Trend	5.9%	8.3%	8.2%	8.4%	6.8%	7.1%

¹ The previous version of the SG rate request summary presented the average rate increase for first quarter renewals. The exhibit has been updated to show the average rate increase for the full year.

Small Group Market Rate Request Summary – Risk Adjustment Assumption

	BCBSRI	NHPRI	Tufts HMO	Tufts PPO	United HMO	United PPO
Risk Adjustment Assumption ³	-2.0%	0%	3.0%	3.0%	2.1%	2.1%

Small Group Market Rate Request Summary – Non-Medical Portion of Premium⁴

	BCBSRI	NHPRI	Tufts HMO	Tufts PPO	United HMO	United PPO
Administrative Expense	13.8%	15.9%	12.0%	12.0%	13.1%	13.1%
ACA Fees ⁵	0.1%	0.1%	0.1%	0.1%	0.0%	0.0%
State Premium Tax	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%
Contribution to Reserves	1.5%	2.0%	1.0%	1.0%	2.0%	2.0%
Other Retention	0.0%	0.0%	0.0%	0.0%	0.2%	0.2%
HealthSource RI Assessment	0.4%	3.5%	0.0%	0.0%	0.0%	0.0%

Small Group Market Rate Request Summary – Quarterly Effective Date Projection Factors

	BCBSRI	NHPRI	Tufts HMO	Tufts PPO	United HMO	United PPO
1Q 2020	1.000	1.000	1.000	1.000	1.000	1.000
2Q 2020	1.014	1.020	1.020	1.020	1.019	1.019
3Q 2020	1.029	1.040	1.039	1.039	1.038	1.038
4Q 2020	1.044	1.061	1.060	1.060	1.058	1.058

¹ This also reflects plans that have been terminated and mapped to existing plan offerings.

² May include the impact of leverage.

³ Represents an adjustment to the Weighted Average Plan Adjusted Index Rate for the Projection Period. The ACA's risk adjustment program redistributes funds from carriers with lower-risk enrollees to plans with higher-risk enrollees.

⁴ Excludes RI Fees & Assessments & Investment Income Credit.

⁵ Represents costs associated with ACA's taxes and fees. The health insurance tax has been suspended for 2021 and beyond.